

# ***Beginning Farmer Tax Credit Act***



**Fifth Annual Report  
July 2003 - June 2004**

**Nebraska Department of Agriculture  
Beginning Farmer Program**

# ***ANNUAL REPORT***

Beginning Farmer Program and Tax Credit Act  
July 1, 2003 - June 30, 2004

## Table of Contents

1.	Board of Directors	
	• A Message from the Board President .....	4
	• Administrative Notes .....	5
	• Board Members and Staff .....	6
	• Beginning Farmer Board Meetings .....	7
2.	Financial Report	
	• July 1, 2003 - June 30, 2004 Financial Report .....	9
4.	Beginning Farmer Program Participation	
	• Participation .....	12
	• Participant Statistics As Reported for the Fiscal Year .....	13
	• Participant Statistics As Reported for the Tax Year .....	14
	• Program Inquiries .....	15
	• Number of Tax Credits Given in Each County .....	16
5.	Promotional Activities	
	• Outreach Activities .....	18
	• Logo .....	20
6.	Proposed Legislation	
	• LR 303 .....	22
	• Response to Agriculture Committee .....	24



# ***Beginning Farmer Program and Tax Credit Act***

**Beginning Farmer Program**



# *Board of Directors*

***Beginning Farmer Program***



# *A Message from the Board President*

It has been my privilege to continue serving as Chairman of the Beginning Farmer Board this past fiscal year. I enjoy working with fellow Board members and staff of the Nebraska Department of Agriculture that are concerned about the future of agriculture.

Our Board met four times this past year. All of us take great pleasure in approving the eligibility of an agricultural asset owner to receive a tax credit because of the lease agreement with a beginning farmer. We only wish we were approving more leases to beginning farmers.

We continue to make sure more asset owners and beginning farmers are aware of our program. Other representatives of State government and various agricultural programs have participated in this discussion with our Board. We are especially pleased that the Nebraska Legislature Agriculture Committee is reviewing very positive changes that could be made to the Beginning Farmer Tax Credit Act. If these changes are approved by the legislative body, participation in the program should increase and this would be positive for Nebraska's agricultural economy.

Sincerely,

Dale E. Pohlmann, Chairman  
Beginning Farmer  
Board of Directors



# *Administrative Notes*

With the passage of the Legislative Resolution 303 to examine potential improvements to the Beginning Farmer Tax Credit Act, much of our year has been spent reviewing the Act and looking at various ideas that would improve the program. As I travel and talk with farmers and ranchers in Nebraska, the one thing most agreed on is that we need to do something to encourage our young people to enter production agriculture as a career.

In the November 22, 2003, issue of the *Iowa Farmer Today*, Gene Lucht wrote: “Little has been done that would help young farmers with rental rates or which would help older ones with their income taxes. However, the Beginning Farmer Tax Credit Program in Nebraska does just that.”

“I commend Nebraska for doing it, and wish Iowa would do it,” says John Baker, Director of Rural Concern at Iowa State University Extension and head of the school’s Beginning Farmer Center.

Several other states have called our office for the information on the Tax Credit Act and how it is working for us. They feel it is an innovative approach to a problem shared by all farm states: the average age of our nation’s farmers is growing older, and we don’t see younger men and women who are able to begin farming due to the high costs and lack of availability of land and other assets.

I encourage each of you to talk to your State legislator and let them know what changes would be important to you if they make some revisions this year. The future of Nebraska agriculture is important to all of us.

Marian Beethe, Administrator

# *Members of the Board of Directors*

**Merlyn Carlson**

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**Dale Pohlmann**

Agricultural Lender, President of the Board  
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Extension Agricultural Economist,  
Department of Agricultural Economics  
University of Nebraska-Lincoln  
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Producer, District 3  
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## *Staff Member*

**Marian Beethe**

Program Administrator  
P. O. Box 94947  
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# ***Beginning Farmer Board Meetings***

**July 1, 2003 - June 30, 2004**

## **August 27, 2003**

Members attending: Dave Dearmont, Greg Ibach, Dale Pohlmann, Dr. Roy Frederick  
Guests attending: Ron Schroeder, Committee Clerk (*Senator Roger Wehrbein, District 2*)  
Staff Attending: Marian Beethe, Pam Wurdeman

## **November 19, 2003**

Members attending: Dave Dearmont, Greg Ibach, Dr. Roy Frederick, Dale Pohlmann  
Guests attending: Bert Garvin, New Appointee; Don Anthony, New Appointee;  
James Nygren, Aide (*Senator Chuck Hagel's Office*); Tania Stewart, Legislative Aide (*Senator Roger Wehrbein, District 2*); Dudley Beyer, NIFA  
Staff Attending: Marian Beethe, Pam Wurdeman

## **January 21, 2004**

Members attending: Dave Dearmont, Don Anthony, Bert Garvin, Dale Pohlmann  
Guests attending: Dudley Beyer, Nebraska Investment Finance Authority;  
Robert Jedlicka, Farm Service Agency; Paul Cernik, Farm Service Agency;  
Tania Stewart, Legislative Aide (*Senator Roger Wehrbein, District 2*);  
Joy Johnson, Center For Rural Affairs  
Staff Attending: Marian Beethe, Pam Wurdeman

## **March 31, 2004**

Members attending: Dave Dearmont, Dale Pohlmann, Timothy Schram,  
Don Anthony, Bert Garvin, Dr. Darrell Mark  
Guests attending: Dave Goeller, Transition Specialist, UNL Extension Service  
Staff Attending: Marian Beethe, Pam Wurdeman



# ***Financial Report***

***Beginning Farmer Program***



**Beginning Farmer Tax Credit Act**  
**Financial Report**  
July 1, 2003 - June 30, 2004

Account Code Description	Budgeted Amount	Year-To- Date	% of Budget	Variance- Favorable (Unfavorable)
<u>510000 Personal Services</u>				
511100 Permanent Salaries-Wages	\$	\$ 1,092.21		(\$1,092.21)
512100 Vacation Leave Expense		132.18		( 132.18)
512200 Sick Leave Expense		185.42		( 185.42)
512300 Holiday Leave Expense		77.22		( 77.22)
<u>Personal Services Subtotal</u>	<u>\$ .00</u>	<u>\$ 1,487.03</u>		<u>(\$1,487.03)</u>
515100 Retirement Plans Expense	.00	104.56		( 104.56)
515200 OASDI Expense	.00	103.85		( 103.85)
515400 Life and Accident Ins. Exp.	.00	.63		( .63)
515500 Health Ins. Exp.	.00	238.24		( 238.24)
516300 Employee Assistance Prog.	.00	13.85		( 13.85)
516500 Worker Comp Premiums	.00	553.64		( 553.64)
<u>Major Account 4100 Total</u>	<u>\$ 0.00</u>	<u>\$ 2,487.95</u>		<u>(\$2,487.95)</u>
<u>520000 Operating Expenses</u>				
521100 Postage Expense	\$ 2.21	\$ 153.32		( 151.11)
521200 Com. Exp - Voice/Data	16.80	181.44		( 164.64)
521400 Data Processing Expense	290.86	290.86		
521500 Publication and Print Exp.	61.48	598.78		( 537.30)
534900 Misc. Supplies Expense	2.48			( 2.48)
<u>Major Account 520000 Total</u>	<u>\$ 371.35</u>	<u>\$ 1,226.88</u>		<u>(\$ 855.53)</u>
<u>570000 Travel Expense</u>				
571100 Board and Lodging	\$ 1,000.00	\$ 57.40	5.74	942.60
571600 Meals - Not Travel Status		7.36		( 7.36)
571900 Meals - One Day Travel		23.65		( 23.65)
575100 Personal Vehicle Mileage	1,500.00	739.80	49.32	760.20
575100 Misc Travel Expense	500.00	35.00	7.00	465.00

<u>Major Account 570000 Total</u>	<u>\$3,000.00</u>	<u>\$ 863.21</u>	<u>28.77</u>	<u>\$2,136.79</u>
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<u>Budgeted Expenditures Total</u>	<u>\$ 3,371.35</u>	<u>\$ 4,578.04</u>	<u>135.79</u>	<u>(\$1,206.69)</u>
<u>Program Expenditures Total</u>	<u>\$ 3,371.35</u>	<u>\$ 4,578.04</u>	<u>135.79</u>	<u>(\$1,206.69)</u>

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# ***Beginning Farmer Program Participation***

**Beginning Farmer Program**



# *Participation*

“We need to do something to keep our young people on the farm!” is the one common thread that is stated by many of the callers who are inquiring about the Beginning Farmer Program. Several beginning farmers have said the tax credit has really made a difference in their ability to rent the land they needed to make a living. Without the tax credit, they were sure they would not have had a chance to rent.

The number of inquiries (198) made about the Beginning Farmer Program was slightly less than last year’s calls (219), but is more calls than were received in 2002 (189). Only 6.6% of the inquiries made this year by the beginning farmers (122) and asset owners (43) resulted in eleven completed cases that are eligible for the tax credit. Last year, 12% of the callers had completed application packets by this time of the year. Applications can still be accepted for this tax year, so the number of completed cases may be greater by the end of the year.

Many of the callers who had an interest in the program said they would not be eligible; therefore, they did not send an application packet. The main reasons given for not being eligible were: 1) The owner had not farmed themselves; 2) The owner and beginning farmer were related; 3) The beginning farmer didn’t get an additional incentive to enroll; and 4) The owner didn’t think the tax credit was enough to make a difference.

The location of the counties which have residing asset owners who received a tax credit are clustered primarily in the central and northeastern part of the state. See the map on page 12 showing the number of owners who receive a tax credit in each county. Of the 33 counties that have a residing eligible owner, only one county has four asset owners; three counties have three asset owners in each; ten counties have two asset owners in each; and nineteen counties have one asset owner in each.

The clustering of the counties with agricultural owners who have received a tax credit are the same areas where a beginning farmer booth and a representative to talk about the program were present for the agricultural shows in that area. Direct conversation about the program seems to be one of the best ways to inform the public about the program and how it can work for the individual. The name of the program indicates it is just for the beginning farmers so many farmers who are retirement age do not read the printed articles or inquire about it because they think it doesn’t pertain to them.

To increase participation, more speaking engagements will be planned and additional ways to attract the owners interest will be developed.

# *Participant Statistics*

*As Reported for the Fiscal Year*

<b>Fiscal Year Participation</b>	<b>07/01/00 to 06/30/01</b>	<b>07/01/01 to 06/30/02</b>	<b>07/01/02 to 06/30/03</b>	<b>07/01/03 to 06/30/04</b>	<b>Totals</b>
<b>Number of Cases (Application Packets From Beginning Farmers and Asset Owners) See #1 below.</b>	<i>5</i>	<i>20</i>	<i>19</i>	<i>11</i>	<i>55</i>
<b>Number of Beginning Farmers Declared Eligible. See #2 below.</b>	<i>1</i>	<i>13*</i>	<i>17*</i>	<i>9*</i>	<i>40*</i>
<b>Number of Asset Owners Declared Eligible. See #3 below.</b>	<i>1</i>	<i>15*</i>	<i>20*</i>	<i>11*</i>	<i>48*</i>
<b>Number of Cases Declared Eligible.</b>	<i>1</i>	<i>14</i>	<i>20</i>	<i>12</i>	<i>47</i>
<b>Number of Cases Declared Ineligible.</b>	<i>2</i>	<i>0</i>	<i>3</i>	<i>0</i>	<i>5</i>
<b>Number of Cases In Pending.</b>	<i>3</i>	<i>5</i>	<i>1</i>	<i>3</i>	<i>XXX</i>

1. Cases - An application packet that has been sent in with applications completed by the owner of agricultural assets and the beginning farmer who have signed a three-year rental agreement that qualifies for the tax credit.
2. Beginning Farmers - Each individual who is qualified as a beginning farmer is counted once. A beginning farmer may have more than one contract with one or more asset owners, but will be counted only once.
3. Agricultural Asset Owner - Each individual, partnership or corporation who is qualified as an asset owner is counted once. An asset owner may have more than one contract with one or more beginning farmers, but will be counted only once.

\*An agricultural owner may rent to more than one beginning farmer and a beginning farmer may rent from more than one agricultural owner. Therefore, the number of owners and beginning farmers may not be the same.

# Participant Statistics

*As Reported for the Tax Year*

Participation Per Tax Year	Tax Year 2001 Amount Paid	Tax Year 2002 Amount Paid	Tax Year 2003 Amount Paid	Tax Year 2004 Contracted To Date
<b>Total Tax Credits Received By Owners.</b>	\$ 26,612.49	\$ 47,951.68	\$ 75,039.62	\$ 56,730.14
<b>Total Rent Paid By Beginning Farmers.</b>	\$ 532,250.00	\$ 959,034.36	\$1,500,793.64	\$1,134,603.71
<b>Average Tax Credit Rec'd. By Owner.</b>	\$ 2,419.32	\$ 1,712.56	\$ 1,705.45	\$ 1,454.62
<b>Average Rent Paid By Beginning Farmer.</b>	\$ 48,386.36	\$ 39,959.77	\$ 39,494.57	\$ 36,600.12
<b>Number of Owners Receiving Tax Credits. See # 1 Below.</b>	11*	28*	44*	39*
<b>Number of Beginning Farmers Paying Rent. See # 2 Below.</b>	11*	24*	38*	31*
<b># of Cases per tax year. See #3 Below.</b>	11	27	46	41

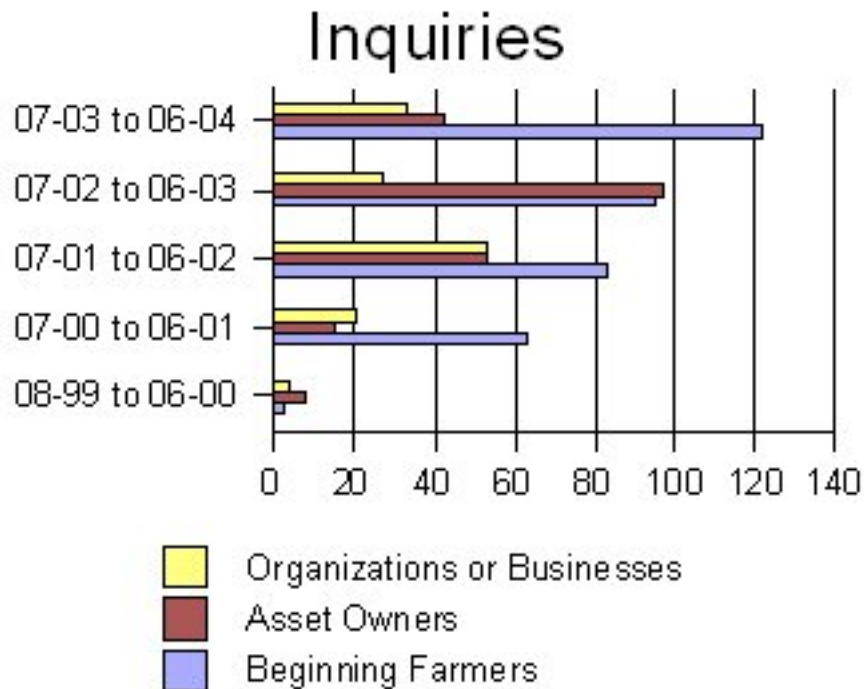
1. Agricultural Asset Owner - Each individual, partnership or corporation who is qualified as an asset owner is counted once. An asset owner may have more than one contract with one or more beginning farmers, but will be counted only once.
2. Beginning Farmers - Each individual who is qualified as a beginning farmer is counted once. A beginning farmer may have more than one contract with one or more asset owners, but will be counted only once.
3. Cases - An application packet that has been sent in with applications completed by the owner of agricultural assets and the beginning farmer who have signed a three year rental agreement that qualifies for the tax credit.
4. The numbers in this column will change due to the acceptance of additional applications that have been signed and dated prior to the end of the owner's tax year.

\*An agricultural owner may rent to more than one beginning farmer and a beginning farmer may rent from more than one agricultural owner. Therefore, the number of owners and beginning farmers may not be the same.

# Program Inquires

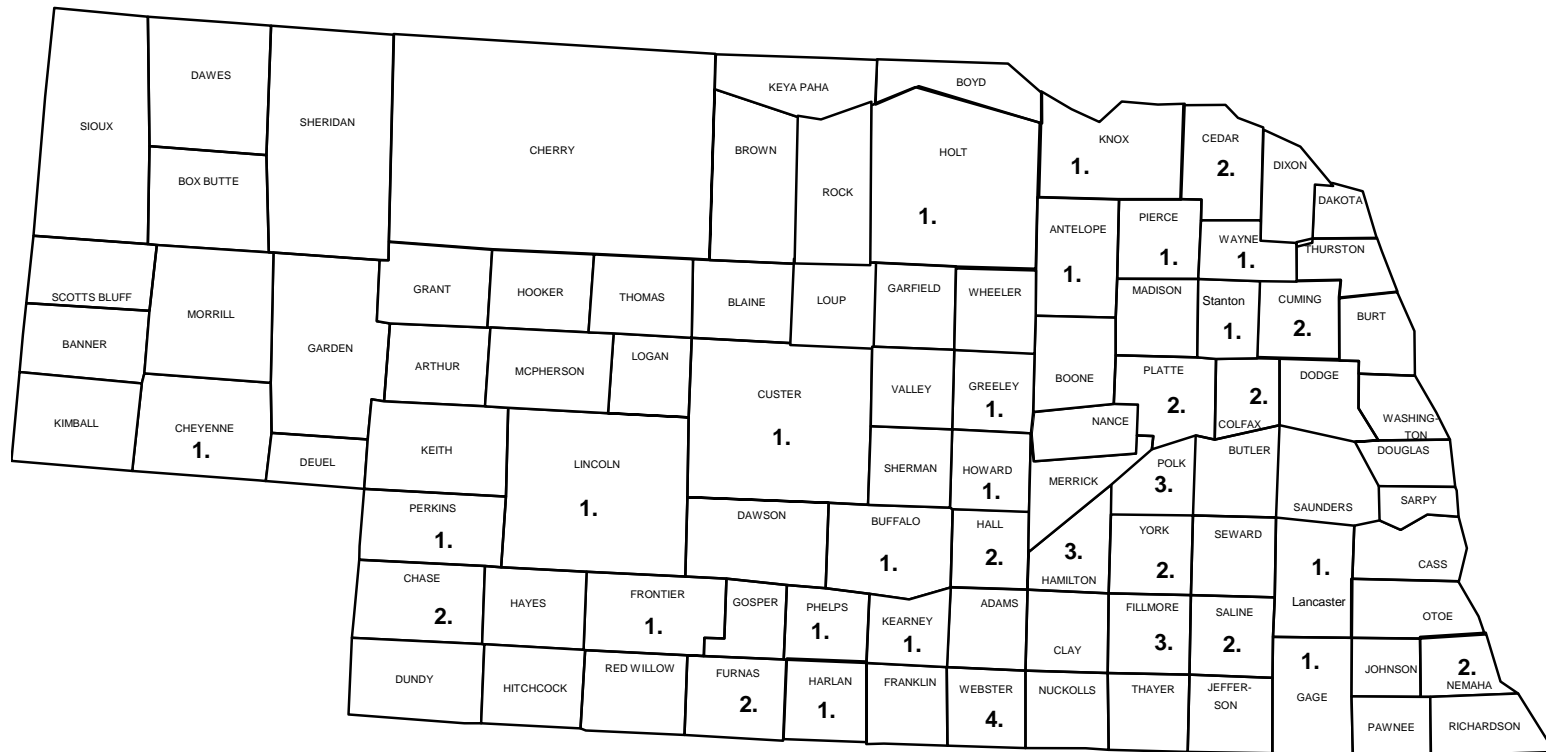
## Number of Inquiries Made to the Beginning Farmer Program

<b>Inquiries Made By:</b>	<i>08/99 to 06/30/00</i>	<i>07/01/00 to 06/30/01</i>	<i>07/01/01 to 06/30/02</i>	<i>07/01/02 to 06/30/03</i>	<i>07/01/03 to 06/30/04</i>	<i>Totals</i>
<i>Beginning Farmers</i>	3	63	83	95	122	366
<i>Asset Owners</i>	8	15	53	97	43	216
<i>Organizations or Businesses</i>	4	21	53	27	33	138
<i>Yearly Totals</i>	15	99	189	219	198	720





*Beginning Farmer Tax Credit Program  
Number of Tax Credits Given in Each County  
2001-2004*



# *Promotional Activities*

***Beginning Farmer Program***



# *Outreach Activities*

**The 2003 National Farm Transition Network Annual Meeting** was held in Vermont, and the 2004 meeting was held in Wisconsin in May of 2004. The network membership includes various groups, agencies, and programs who provide education and services to promote the next generation of farmers and ranchers. The Nebraska Department of Agriculture (NDA) has not joined the group as a dues paying member nor did they send a representative to either meeting due to budget cuts. Marian Beethe continues to maintain communication with the membership of this group to learn about other beginning farmer programs. Members from Nebraska include Dave Goeller, University of Nebraska Cooperative Extension Beginning Farmer Program and Joy Johnson, Center for Rural Affairs.

**The Beginning Farmer Display Booth** was staffed by Marian Beethe at the following events and trade shows during this fiscal year. She also gave presentations about the Beginning Farmer Program at the Nebraska Farm Exposition in Columbus and at the Farming: Blessed or Stressed Workshop in Juniata, Nebraska.

- Husker Harvest Days in Grand Island, Nebraska, September 9-11, 2003
- Blessed or Stressed Workshop in Juniata, Nebraska, September 14, 2003
- Gateway Farm Exposition in Kearney, November 12-13, 2003\*
- Nebraska Farm Bureau Convention in Omaha, Nebraska, December 7-9, 2003\*
- Nebraska Farm Exposition in Columbus, Nebraska, January 13-14, 2004
- The Rural Advantage Workshop in Columbus, Nebraska, January 16-17, 2004
- Husker Feeds and Grain Conference, Kearney, Nebraska, January 28-29, 2004
- The Madison County Farm Show in Madison, Nebraska, January 29-30, 2004\*
- The KNEB Scottsbluff Ag Expo in Mitchell, Nebraska, February 6-7, 2004
- Sustainable Ag Meeting and Conference in Lincoln, Nebraska, February 13-14, 2004
- 2004 Governor's Agricultural Conference in Kearney, Nebraska, March 3, 2004\*
- Nebraska Bankers Association Conference and Rural Development Meeting in Kearney, Nebraska, April 7-8, 2004\*

\* The Farm Service Agency, the NDA Promotion Division, and the Center For Rural Affairs handed out Nebraska Beginning Farmer brochures and information at their booths during these shows. This coordinated effort is a cost savings for all.

**The Risk Management Agency (RMA) Conference** was held in San Diego, California, October 6-9, 2003. The program was very informative and had several sessions on beginning farmer programs and innovative ways to use RMA grant funds to develop or improve existing programs. Marian Beethe provided information on the Nebraska Beginning Farmer Tax Credit Act at two breakout sessions.

**The Beginning Farmer Task Force** met several times to coordinate their efforts and programs. A toll-free telephone number has been developed to be a central phone number for all beginning farmer programs. Members of the group are Bob Jedlicka, Nebraska Farm Service Agency; Joy Johnson, Center For Rural Affairs; Patricia Schuett Peterson, Kutak Rock LLP representing Nebraska Investment Finance Authority (NIFA); Dave Goeller, UNL Beginning Farmer Program; Paul Cernik, Nebraska Farm Service Agency; and Marian Beethe, Nebraska Department of Agriculture Beginning Farmer Program.

Marian Beethe gave information to the **2004 LEAD** participants about the Farm Mediation and Beginning Farmer Programs on November 5, 2003.

**The Nebraska Department of Revenue** held a series of seminars for tax preparers across the state. Dale Carter presented information and passed out the brochures on the Beginning Farmer Tax Credit Act and Program.

**The Community Action of Nebraska** held a networking meeting on March 18, 2004, in Lincoln, Nebraska. Marian Beethe attended to learn about the many activities of the community action groups in Nebraska and to share information about the Beginning Farmer Tax Credit Act.

Marian Beethe attended the **USDA Beginning Farmer Advisory Council** meeting in Washington, DC, on March 23-25, 2004, as a newly appointed member.

**The Nebraska Beginning Farmer Conference** was held in Kearney, Nebraska, on March 27, 2004. Over 400 farmers were in attendance from Nebraska, Kansas, Iowa, Missouri, Minnesota, and Wisconsin. Marian Beethe participated in two breakout sessions to provide attendees with beginning farmer program information.

**The Nebraska Department of Revenue and the Nebraska Department of Agriculture** updated their web sites with new information on the Beginning Farmer Program.

**The Blair Area Farmers** invited Marian Beethe to speak on the Nebraska Beginning Farmer Program at their breakfast meeting on March 27, 2004, in Blair, Nebraska. The group is composed of area farmers and agricultural business leaders to promote and develop farming.

Marian Beethe was interviewed by Michael Rosen, **UC Berkley Northgate School of Journalism**, for an article in [alternet.org](http://alternet.org) about young people getting involved in agriculture on July 6, 2004.

Information was provided by Marian Beethe on July 6, 2004, to Dan Looker, **Successful Farmer Editor**, for an article on the Nebraska Beginning Farmer Program to be printed in November.

# *Logo*



The logo was developed during the first year of the program to indicate the benefits of beginning farmers and owners of agricultural assets working together with their SHARED STRENGTH in agriculture to BUILD A FUTURE for themselves and Nebraska. It has been used on brochures, stationary, reports, trade show displays, etc. Most of the editors of the published news articles have chosen to include a copy of the logo with the story. The logo gives easy program identification.

# *Proposed Legislation*

***Beginning Farmer Program***



2 NINETY-EIGHTH LEGISLATURE  
3 SECOND SESSION  
4 LEGISLATIVE RESOLUTION 303

5 Introduced by Wehrbein, 2

6 PURPOSE: The purpose of this study is to examine potential  
7 improvements to the Beginning Farm Tax Credit Act and the  
8 beginning farmer program to encourage greater utilization of the  
9 incentives and resources available under the act and program and to  
10 examine additional avenues for expanding opportunities for  
11 beginning farmers. The study shall include, but not be limited to,  
12 an examination of the following issues:

13 1. Whether the definitions, asset limits, and other  
14 specifics in the act are appropriate to achieve the goals of the  
15 act;

16 2. Whether the current incentives for the mentoring  
17 farmer should be changed and tax incentives for the beginning  
18 farmer should be added;

19 3. Whether services provided under the beginning farmer  
20 program should be expanded to provide a mentoring component;

21 4. Whether the beginning farmer program can be better  
22 coordinated with private beginning farmer programs;

23 5. Whether there are other constraints limiting  
24 opportunities for beginning farmers that can be addressed by the  
25 Legislature; and

26 6. Any other changes or additions to the act which would

1 encourage more people to begin a career in farming and allow them  
2 to utilize this program.

3 NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE  
4 NINETY-EIGHTH LEGISLATURE OF NEBRASKA, SECOND SESSION:

5 1. That the Agriculture Committee of the Legislature  
6 shall be designated to conduct an interim study to carry out the  
7 purposes of this resolution.

8 2. That the committee shall upon the conclusion of its  
9 study make a report of its findings, together with its  
10 recommendations, to the Legislative Council or Legislature.

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## **Response To Agriculture Committee On Beginning Farmer Tax Credit Act**

Darrell R. Mark, Ph.D., Beginning Farmer Board Member  
Department of Agricultural Economics  
University of Nebraska-Lincoln

The following remarks are provided in response to Senator Kremer's (Chair, Agriculture Committee) request for response to six issues defined in LR 303 regarding review of the Beginning Farmer Tax Credit Act. It should be noted that my experience is limited to less than six months as a board member, so I cannot meaningfully contribute to an analysis of program's history.

In response to several of the questions posed in LR 303, I cite information obtained from a July 2004 survey of 1,189 students in the College of Agricultural Sciences and Natural Resources (CASNR) at the University of Nebraska-Lincoln (UNL). This sample was selected because these students have agricultural backgrounds and interests and are generally expected to understand issues associated with initiating careers in farming and ranching. Further, these university-educated students represent a group with the highest likelihood of successfully beginning a career, either in farming/ranching or other area. Survey responses were obtained from 252 students, or 21.2%. Of these students, 35% indicated they were interested in farming full-time after college, 33% were interested in farming part-time after college, and 32% were not interested in farming as a career. Complete survey results, beyond those provided below, are expected to be available in September.

1. *Whether the definitions, asset limits, and other specifics in the act are appropriate to achieve the goals of the act;*

The requirement that the "owner of agricultural assets" has "provided at least fifty percent of the day-to-day physical labor and management of a farm ..." could be expanded to include the surviving spouse of an "owner of agricultural assets" if the spouse participated in the production activity or contributed in some way. This would allow surviving spouses who wish to rent ground to beginning farmers to qualify for the tax credit in cases where a couple would have qualified but the surviving spouse alone would not.

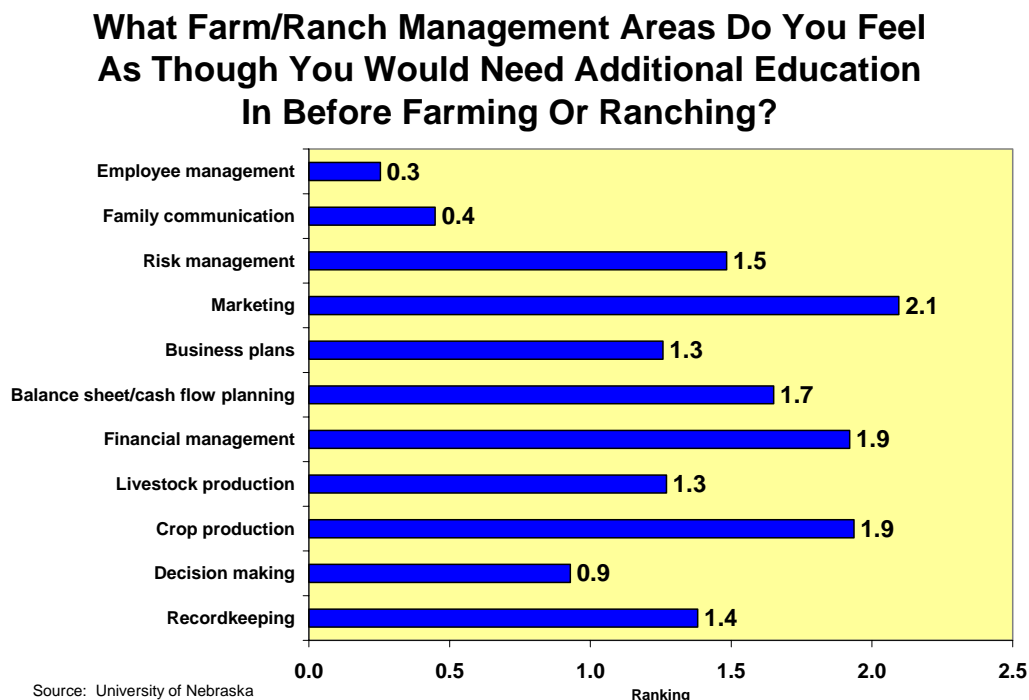
The requirement that an "owner of agricultural assets" derive "at least fifty percent of his or her income for income tax purposes from farming or livestock production..." may be somewhat restrictive due to increased prevalence of full-time farming operations having one or two members of the operation working off-farm (either full or part-time) and low crop and livestock prices in previous years.

The requirement that the beginning farmer should successfully complete a financial management program should be maintained. More detailed specific information on available programs/courses needs to be provided by the board. Further, in addition to

financial management, marketing programs/courses should be recommended or required as well given its potential to greatly affect gross revenue. The July 2004 UNL survey showed that CASNR students ranked marketing highest in terms of areas where they needed more education before beginning a farming/ranching career (Figure 1). Financial management and crop production education were ranked second highest.

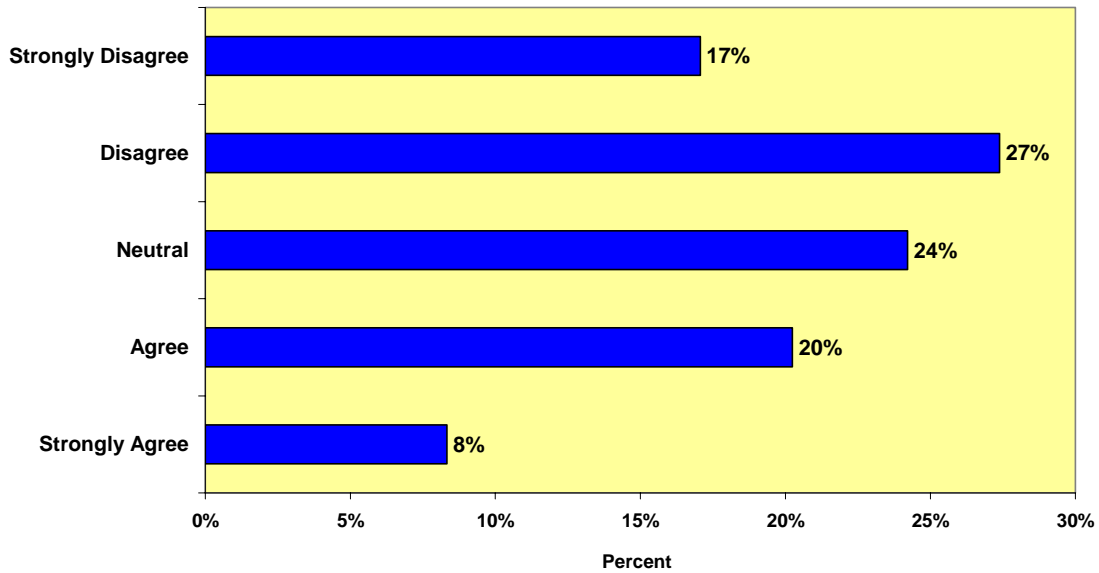
The requirement that the beginning farmer have a net worth less than \$100,000 may be limiting program participation. For example, assuming a typical equity-to-asset ratio of 0.65, \$100,000 of equity would translate to about \$154,000 in assets. With the size and scale of farm machinery and land today, one or two significant assets owned by the beginning farmer and needed in the operation would likely disqualify him/her from the program. Further, the argument can be made that those with a somewhat larger net worth are most likely to have long-term success in farming and, therefore, helping them through the program would benefit both the farmer and the program. Twenty-eight percent of CASNR students surveyed indicated agreement or strong agreement that this requirement would prevent them from applying for a beginning farmer program (Figure 2). Results from this question are mixed in that 44% indicated that it would not prevent them from participating in a beginning farmer program. Compared to the other requirements for the beginning farmer program (e.g., providing day-to-day labor and management, take a financial management course, submit financial statements) that indicate general acceptance (Figures 3 to 5), the net worth requirement provided the most mixed results. It may be worth considering increasing the requirement to \$150,000 or \$200,000.

**Figure 1.**



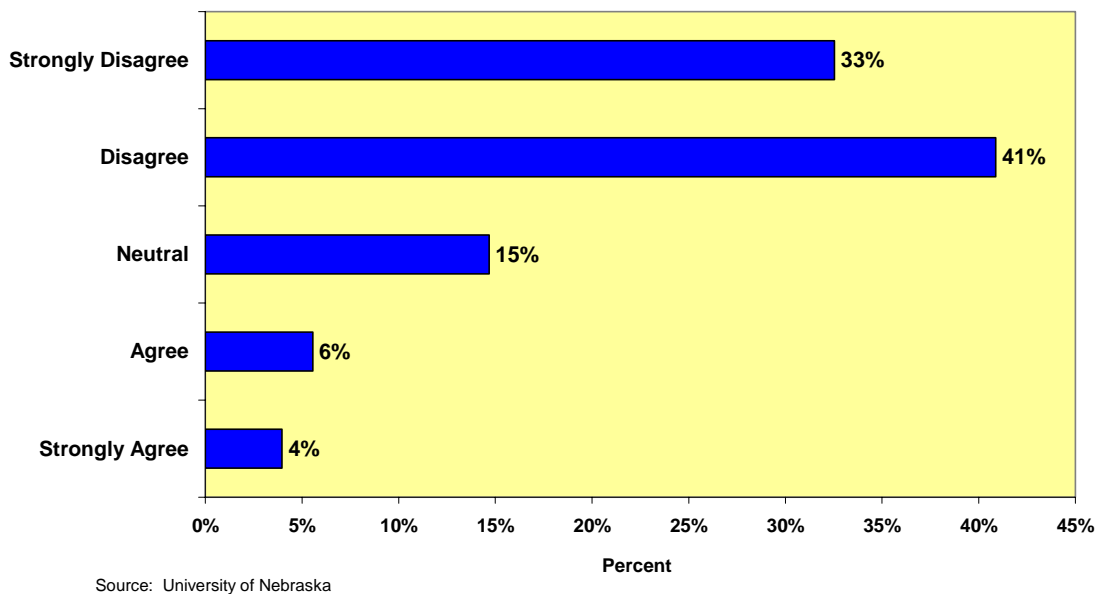
**Figure 2**

**Requiring Me To Have Less Than \$100,000 Net Worth  
Would Prevent Me From Applying For A Beginning  
Farmer Program**



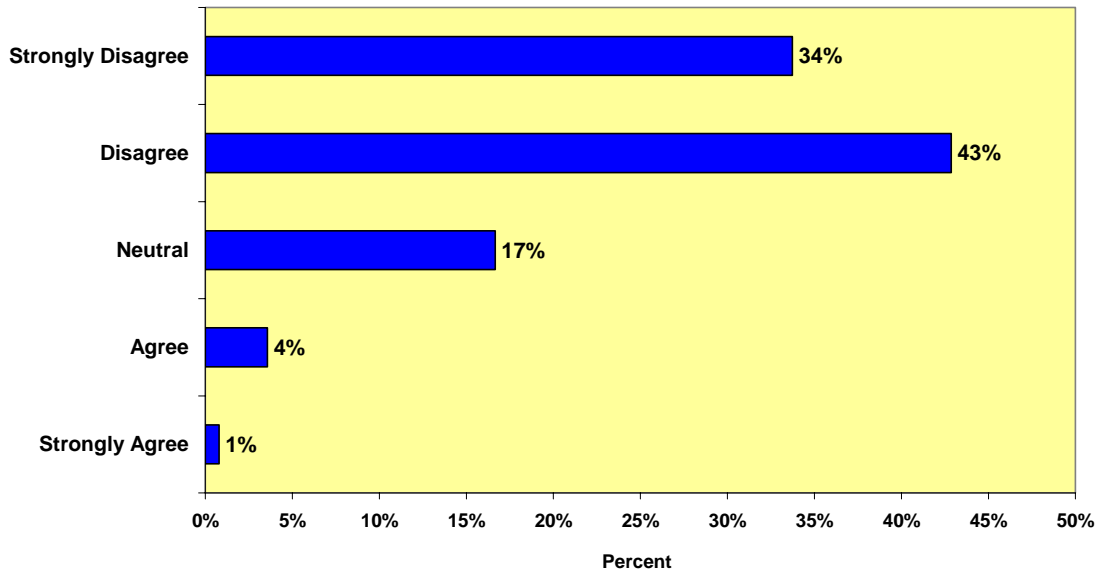
**Figure 3**

**Having To Provide The Majority Of Day-to-Day Physical  
Labor and Management Would Prevent Me From  
Applying For A Beginning Farmer Program**



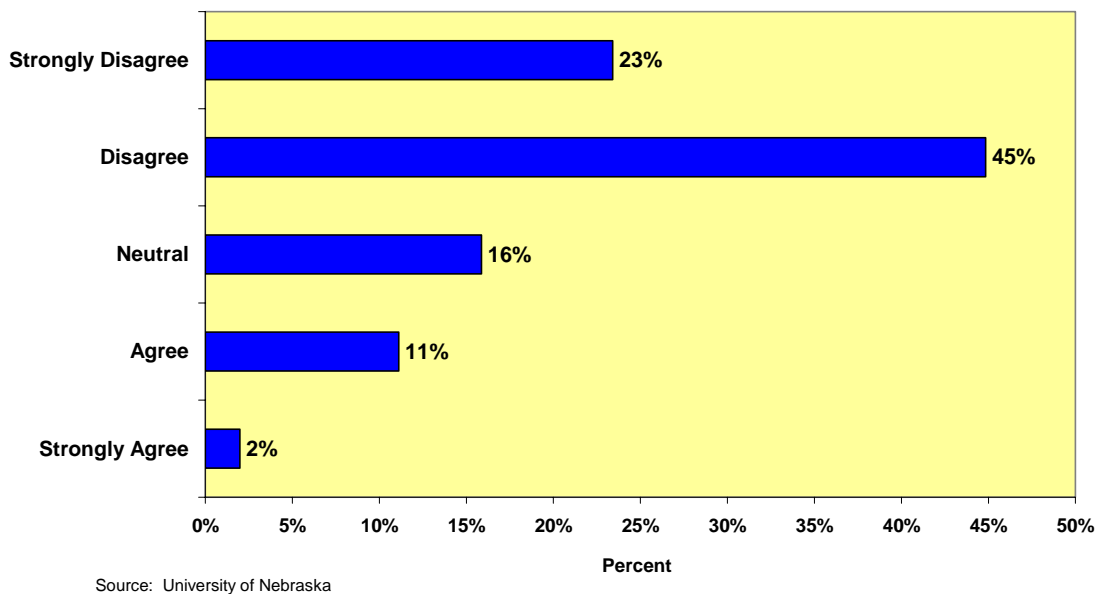
**Figure 4**

**Having To Participate In A Short Financial Management Course Would Prevent Me From Applying For A Beginning Farmer Program**



**Figure 5**

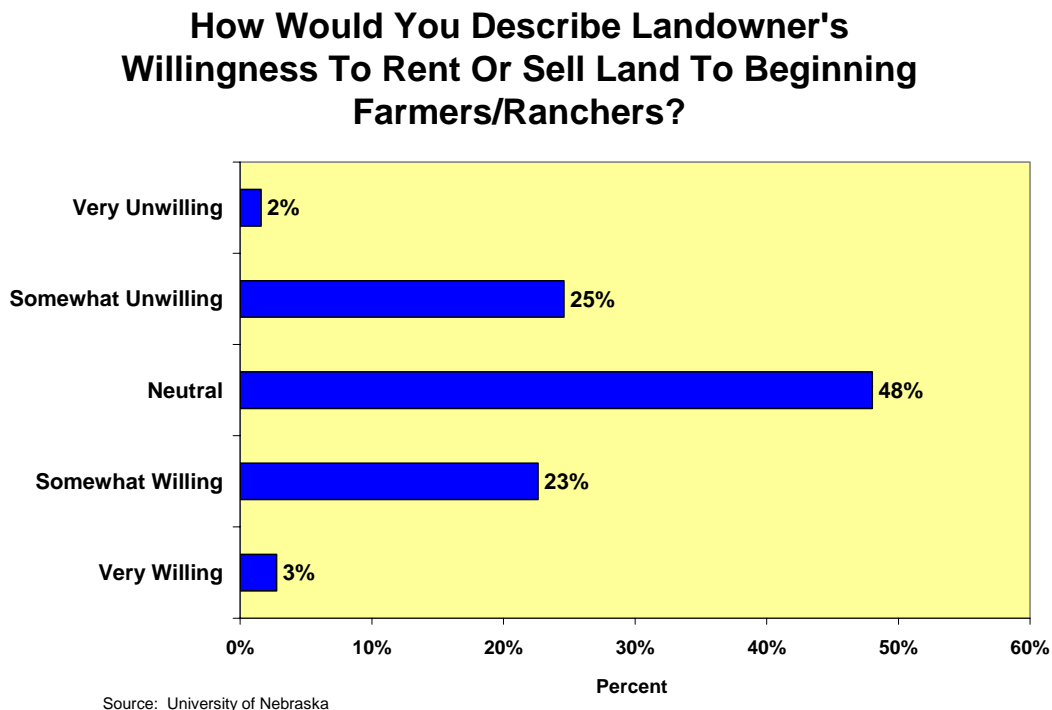
**Having To Submit A Balance Sheet and Cash Flow Statement Would Prevent Me From Applying For A Beginning Farmer Program**



2. *Whether the current incentives for the mentoring farmer should be changed and tax incentives for the beginning farmer should be added;*

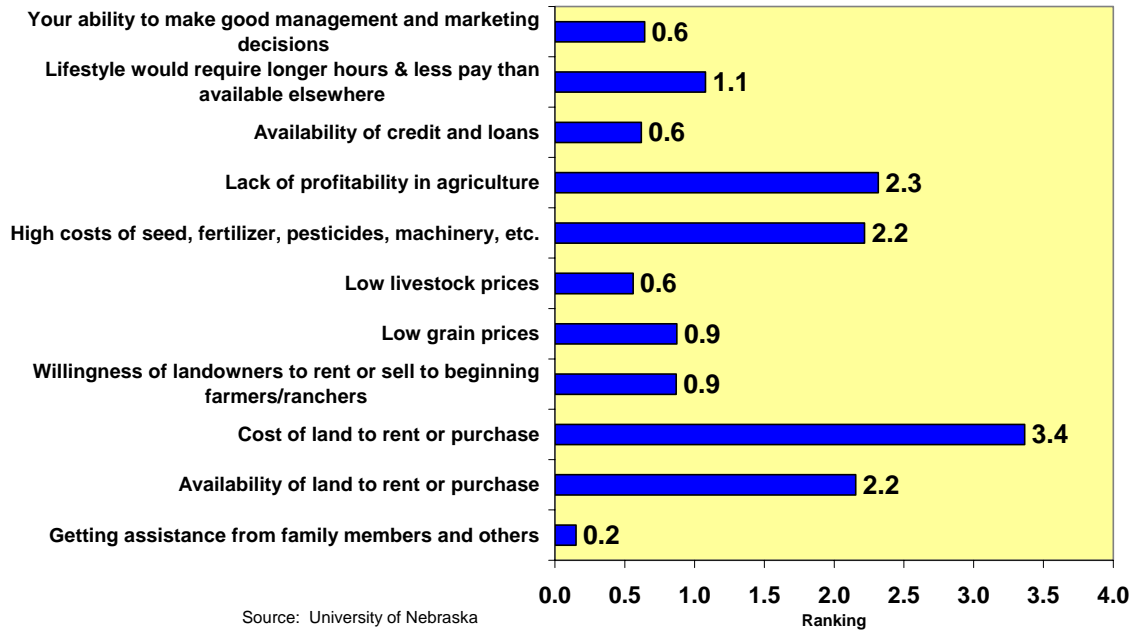
The Beginning Farmer Tax Credit Act provides financial benefit to owners of agricultural assets if they rent land to beginning farmers. The benefit to the beginning farmer is market access to land (other benefits, including financial and tax benefits, are not currently provided). Access or availability of land is probably not the biggest hurdle for beginning farmers in Nebraska, but rather the cost and financing options are for many beginning farmers. In the July 2004 UNL survey, CASNR students were fairly mixed in terms of how they viewed landowner's willingness to rent land to beginning farmers. Twenty-six percent indicated landowners were either somewhat or very willing to rent land to beginning farmers, while 27% found landowners somewhat or very unwilling to rent to beginning farmers (Figure 6). When further questioned as to what they view as the biggest hurdles to begin farming/ranching, CASNR students ranked the cost of land to rent or purchase highest, followed by lack of profitability in agriculture (Figure 7). Land availability and high input prices were tied for the third highest ranking. This implies that the tax credit to owners of agricultural assets is useful in providing assistance, but it does not directly address the more important financial aspects of renting land for farming purposes (which was ranked first and second highest in the survey). In fact, 50% of the survey respondents indicated that income tax credits to beginning farmers would be more beneficial than providing tax credits to landowners (Figure 8).

**Figure 6**



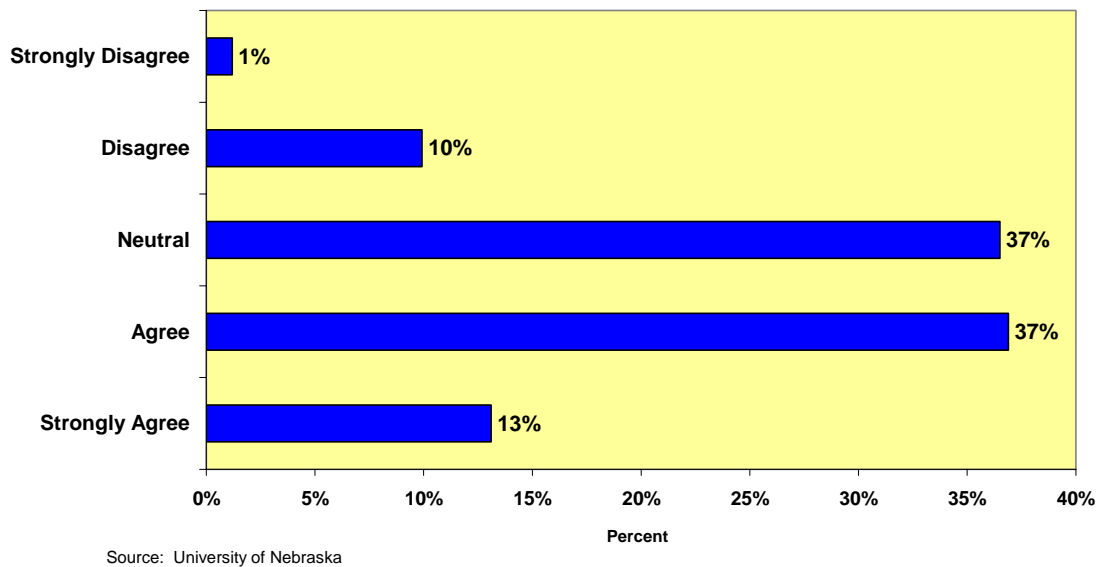
**Figure 7**

### What Do You Perceive To Be The Biggest Hurdles To Beginning Farming/Ranching?



**Figure 8**

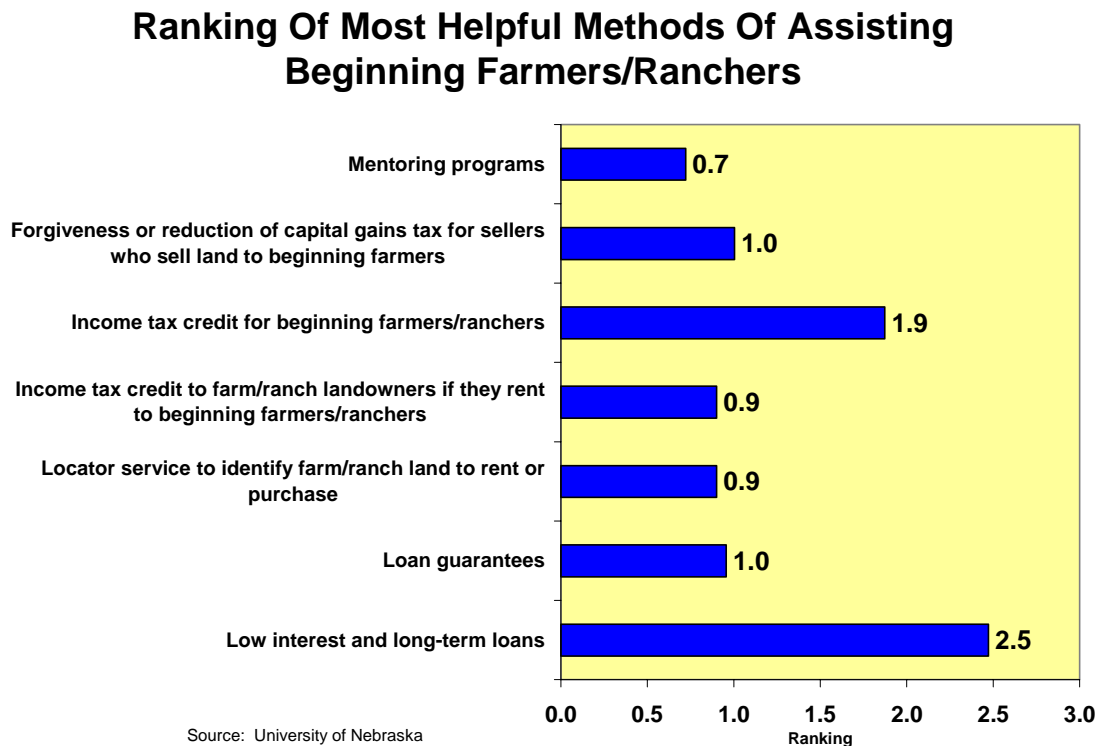
### Providing Income Tax Credit To Beginning Farmers/Ranchers Based On Net Farm Income Would Be More Beneficial Than Providing Income Tax Credits To A Landowner Who Would Rent To A Beginning Farmer



3. *Whether services provided under the beginning farmer program should be expanded to provide a mentoring component;*

When asked what methods of assisting beginning farmers would be most helpful to a beginning farmer, CASNR students ranked low interest and long-term loans highest, followed by income tax credits for beginning farmers (Figure 9). Mentoring programs ranked lowest amongst the survey respondents. This is likely a result of having mentoring available from family members who are farming. Of the CASNR students who indicated an interest in farming after college, 78% indicated they would have some type of assistance from family members and 40% would have assistance from nonfamily members. Despite the survey results with low importance placed on mentoring programs, there is likely a strong correlation between mentoring and success in farming/ranching. If the program were to be expanded to include a mentoring component, the Department of Agriculture and Board would likely need to partner with another party to provide these services. One possibility for this could be University of Nebraska Cooperative Extension, which offers one-on-one assistance to beginning farmers and is currently training a group of mentors across the state to provide assistance to financially-stressed farmers.

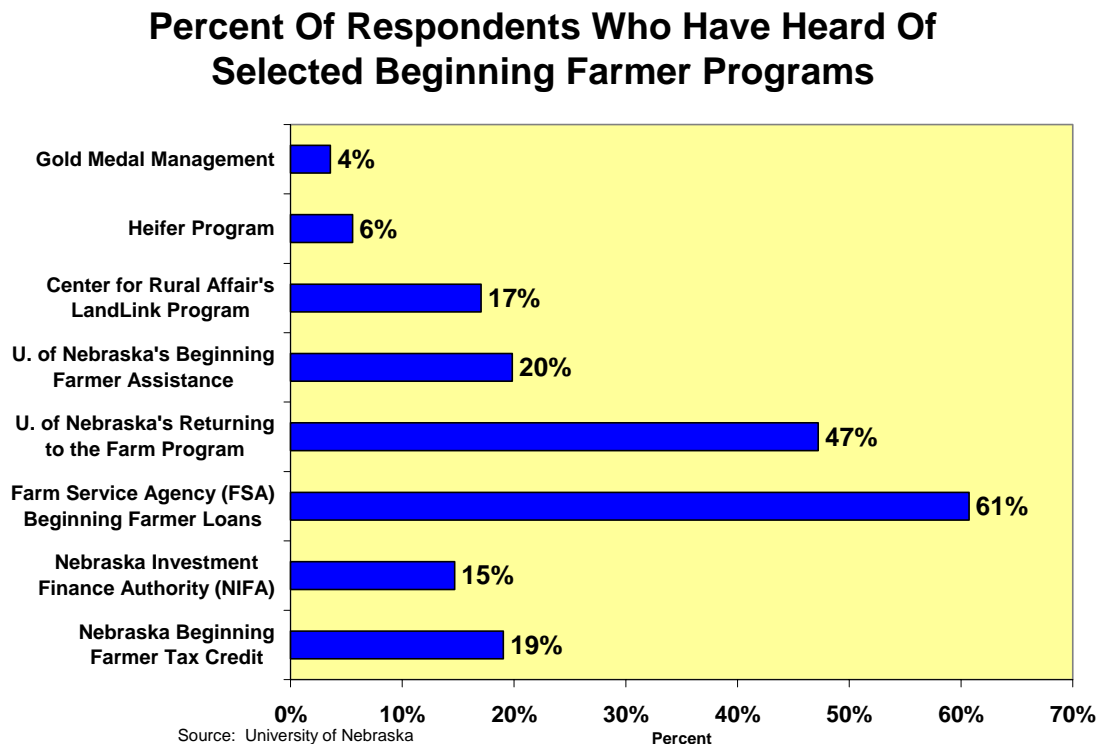
**Figure 9**



4. *Whether the beginning farmer program can be better coordinated with private beginning farmer programs;*

Although I do not have specific recommendations on the need or benefit to coordinate with private beginning farmer programs, it is likely that one of the benefits to doing so would be to create more awareness of the program. In the July 2004 UNL survey, 19% of CASNR students had heard of the Nebraska Beginning Farmer Tax Credit (Figure 10). This is about the same as the Nebraska Investment Finance Authority, University of Nebraska's Beginning Farmer Assistance, and Center for Rural Affairs' LandLink program. Clearly, the most recognized program was Farm Service Agency's Beginning Farmer Loans. Although the University of Nebraska's Returning to the Farm program was also widely recognized, this result is somewhat biased because the students surveyed receive promotional materials for the program once a year. If the Nebraska Beginning Farmer Tax Credit were to be coordinated with other programs, FSA might be a possible choice. This would combine the financial assistance desired most by beginning farmers with improved access to land (ranked as the third biggest hurdle to beginning farming).

**Figure 10**





5. *Whether there are other constraints limiting opportunities for beginning farmers that can be addressed by the Legislature;*

The most significant constraints to the program are net worth requirements for beginning farmers and lack of financial incentive for beginning farmers to participate.

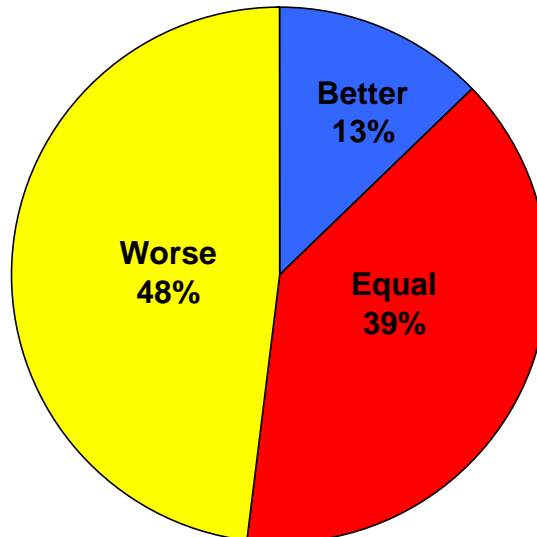
6. *Any other changes or additions to the act which would encourage more people to begin a career in farming and allow them to utilize this program.*

The decision of whether to begin a career in farming probably cannot be significantly affected by this program, unless it was to guarantee income levels equivalent to the best forgone opportunity (opportunity cost). To do this would probably not be fiscally possible. Nearly half of the CASNR students indicated that farming/ranching opportunities provided worse opportunities than nonfarming/nonranching opportunities (Figure 11). Only 13% thought farming/ranching provided better opportunities. These views are likely a result of high opportunity cost to farming (i.e., the students surveyed would likely be able to obtain a job with equal to higher income potential and fewer hours worked).

**Figure 11**

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### **How Do Farming/Ranching Opportunities Compare To Non-farming and NonRanching Opportunities?**



Source: University of Nebraska